

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Middlesex County Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: December 15, 2016

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 and January 1 of each fiscal year. The schedule is effective in FY17 (since the amount under the prior schedule was maintained in FY17) and is acceptable under Chapter 32.

The revised schedule reflects a reduction in the investment return assumption from 7.875% to 7.75% and the adoption of a fully generational mortality assumption.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

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Chart 3

Funding Schedule -- Fully funded by 2035 with appropriations that increase 6.5% per year from fiscal 2018 through fiscal 2024 and lower increases thereafter.

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of 2002 ERI Liability	(4) Amortization of 2003 ERI Liability	(5) Amortization of 2010 ERI Liability	(6) Amortization of Remaining Unfunded Liability	(7) Total Plan Cost: (2) + (3) + (4) + (5) + (6)	(8) Total Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(9) Percent Increase in Total Cost
2017	\$20,606,111	\$1,672,875	\$731,903	\$60,733	\$84,139,046	\$107,210,668	\$1,402,415,032	--
2018	21,421,380	1,672,875	731,903	60,733	90,292,470	114,179,361	1,419,511,007	6.50%
2019	22,268,622	1,672,875	731,903	60,733	96,866,886	121,601,019	1,431,424,186	6.50%
2020	23,149,081	0	731,903	60,733	105,563,368	129,505,085	1,437,307,669	6.50%
2021	24,064,050	0	0	60,733	113,798,133	137,922,916	1,436,219,101	6.50%
2022	25,014,872	0	0	60,733	121,812,301	146,887,906	1,427,111,297	6.50%
2023	26,002,941	0	0	0	130,432,679	156,435,620	1,408,822,019	6.50%
2024	27,029,706	0	0	0	139,574,229	166,603,935	1,380,062,819	6.50%
2025	28,096,673	0	0	0	147,171,124	175,267,797	1,339,406,866	5.20%
2026	29,205,404	0	0	0	153,057,969	182,263,373	1,287,565,758	3.99%
2027	30,357,522	0	0	0	159,180,288	189,537,810	1,225,481,158	3.99%
2028	31,554,713	0	0	0	165,547,500	197,102,213	1,152,110,163	3.99%
2029	32,798,729	0	0	0	172,169,400	204,968,129	1,066,319,084	3.99%
2030	34,091,389	0	0	0	179,056,176	213,147,565	966,876,012	3.99%
2031	35,434,580	0	0	0	186,218,423	221,653,003	852,442,790	3.99%
2032	36,830,266	0	0	0	193,667,160	230,497,426	721,566,349	3.99%
2033	38,280,484	0	0	0	201,413,846	239,694,330	572,669,353	3.99%
2034	39,787,351	0	0	0	209,470,400	249,257,751	404,040,105	3.99%
2035	41,353,063	0	0	0	217,849,215	259,202,278	213,821,645	3.99%
2036	42,979,905	0	0	0	0	42,979,905	0	-83.42%
2037	44,670,247	0	0	0	0	44,670,247	0	3.93%
2038	46,426,552	0	0	0	0	46,426,552	0	3.93%
2039	48,251,376	0	0	0	0	48,251,376	0	3.93%
2040	50,147,376	0	0	0	0	50,147,376	0	3.93%

Notes: Recommended contributions are assumed to be paid on July 1 and December 31.

Fiscal 2017 appropriation is budgeted amount determined with prior valuation.

Item (2) reflects 3.5% growth in payroll as well as a 0.15% adjustment to total normal cost to reflect the effects of mortality improvement due to generational mortality assumption.

Projected normal cost does not reflect the future impact of pension reform for new hires.

Items (3), (4) and (5) reflect level dollar amortization.

Item (6) increases 4% per year beginning in fiscal 2026.

Projected unfunded actuarial accrued liability does not reflect deferred investment gains.